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INFO RUCNIRA/IRAN COLLECTIVE
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C O N F I D E N T I A L TOKYO 001412

SIPDIS

TREASURY FOR U/S LEVY

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TAGS: [ETRD](#) [EFIN](#) [PREL](#) [IR](#) [JA](#)

SUBJECT: METI OFFICIAL: JAPANESE EXPORTS TO IRAN DOWN BUT
NO PLANS TO RESTRICT FURTHER SHORT TERM TRADE

Classified By: CDA James Zumwalt for Reasons 1.4(b),(d).

¶1. (C) Summary: The Japan Government continues to restrict export credit insurance for Iran to only short-term transactions in accordance with UNSCR 1803, according to Ministry of Economy, Trade, and Industry Deputy Director for Trade Insurance Toshihiro Kawakami. The GOJ continues to decline offering medium or long-term export credit guarantees for Japanese firms selling to Iran. Overall Japanese exports to Iran are declining, with a 15.1 percent year-on-year drop for the first four months of 2009. The METI official reiterated Japanese concerns about continued access to Iranian energy supplies and that the GOJ is also under pressure from Japanese companies to increase the amount of financing available for exports to Iran. End Summary.

Japan Abiding UNSCR 1803

¶2. (C) Kawakami said the GOJ continues to restrict export credit insurance to Iran in accordance with UNSCR 1803. He noted the GOJ ceased accepting new contracts for Iran-related medium and long-term trade (MLT) insurance in June 2006 and no longer automatically grants insurance for short-term (maximum repayment term of six months) exports. Kawakami also stated the GOJ capped short-term insurance in May 2006, limiting Iran to one billion yen policies (about USD 10 million). Japan's overall outstanding trade insurance liabilities with Iran stood at JPY 204.3 billion as of April 2009, according to Kawakami, down twenty percent on the previous year. This figure includes a short-term balance of JPY 126 billion and an MLT balance of JPY 74 billion. Kawakami acknowledged, however, that the GOJ does not have a metric for what would constitute excessive trade with Iran. (Comment: A decline in this balance may also reflect the overall decrease in Japan's exports. According to GOJ customs data, exports to Iran for the first four months of 2009 declined 15.1 percent year-on-year on a value basis. Exports of vehicles in particular fell 25.6 percent. End Comment.)

OECD Trade Credit Data Misleading

¶3. (C) Kawakami said OECD data presenting Japan as the leading grantor of short and medium term export credit insurance is misleading because it does not account for private insurance and uninsured shipments. While the GOJ underwrites nearly 100% of the export credit guarantees for Iran-bound shipments, other OECD countries only report official flows, Kawakami said, thereby undervaluing overall Iran-related trade credits.

14. (C) Kawakami repeated the frequently heard point about Japanese dependence on Iranians for oil, arguing further GOJ steps to restrict short-term export credit guarantees to Iran would likely mean cuts in Iranian oil sales to Japan. He also noted the GOJ is under pressure from a number of industries - he refused to specify - that would like to expand their exports to Iran.

ZUMWALT